

FY 2004 Comprehensive Annual Financial Report

Summary



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FY 2004 Highlights

- \$1.2 Billion Cumulative General Fund Balance

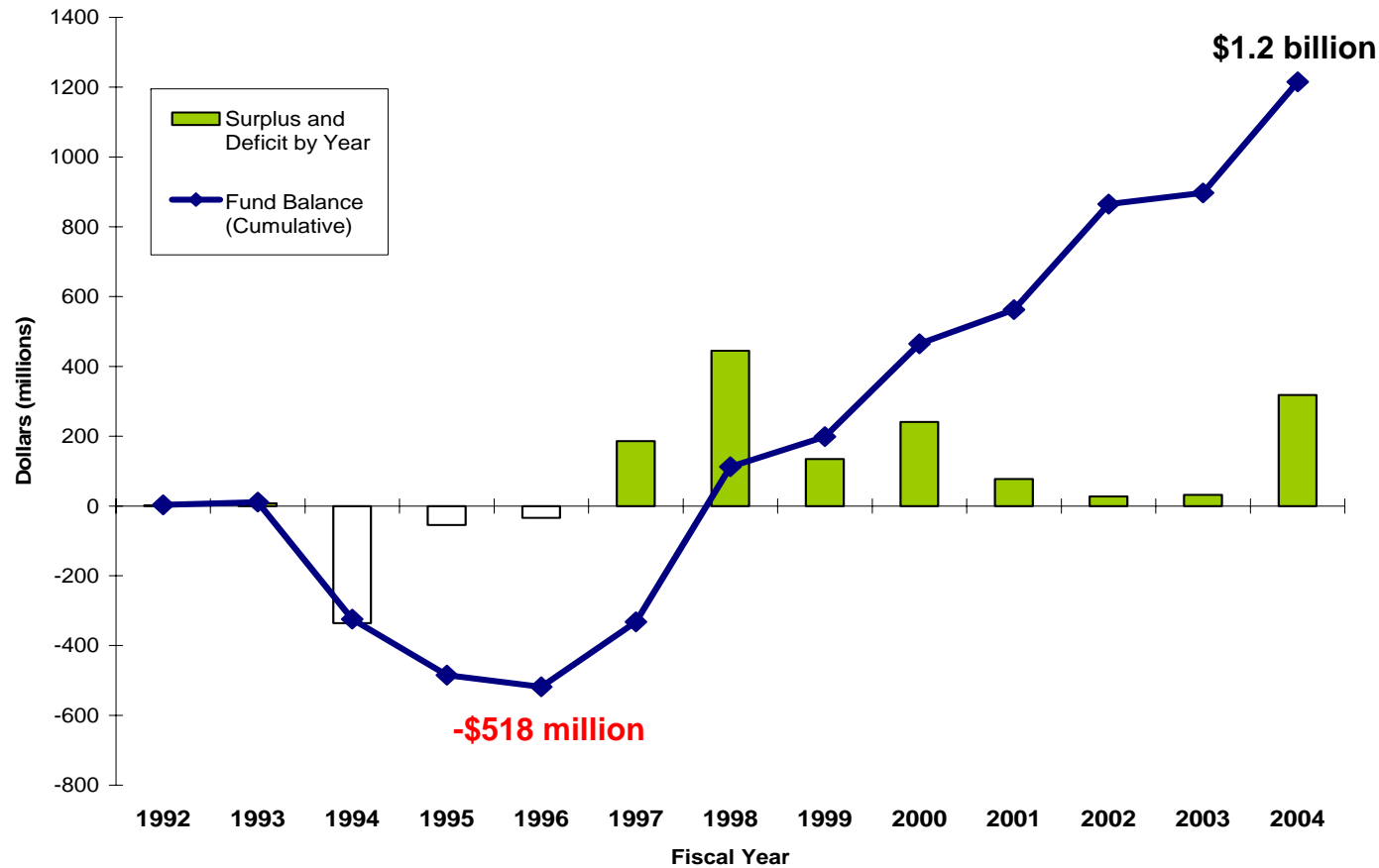
Mostly earmarked

\$42.0 million available for use

- \$230.5 Million Local Fund Surplus
- Unqualified, or Clean, Audit Opinion
- Financial Management Improvements



General Fund Balance History



S&P:	A-	A-	A-	BBB-	B	B	BB	BBB	BBB	BBB+	BBB+	A-	A
Moody's:	Baa	Baa	Baa	Ba	Ba	Ba2	Ba1	Ba1	Baa3	Baa3	Baa1	Baa1	A2
Fitch:		A-	BBB+	BB	BB	BB	BB+	BB+	BBB	BBB	BBB+	A-	A-

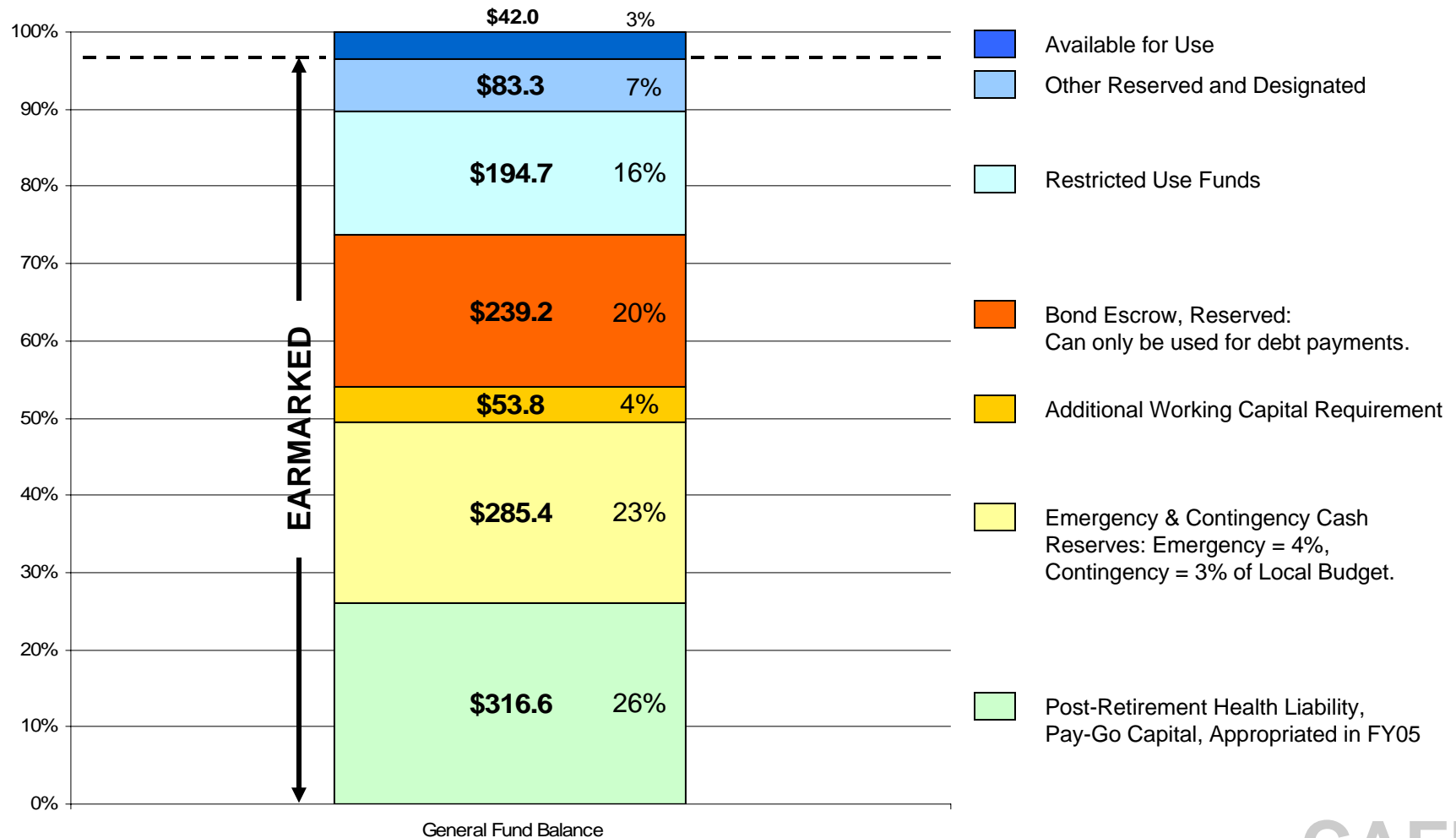
Control Period

Revitalization Act



FY 2004 General Fund Balance

(\$ in millions)

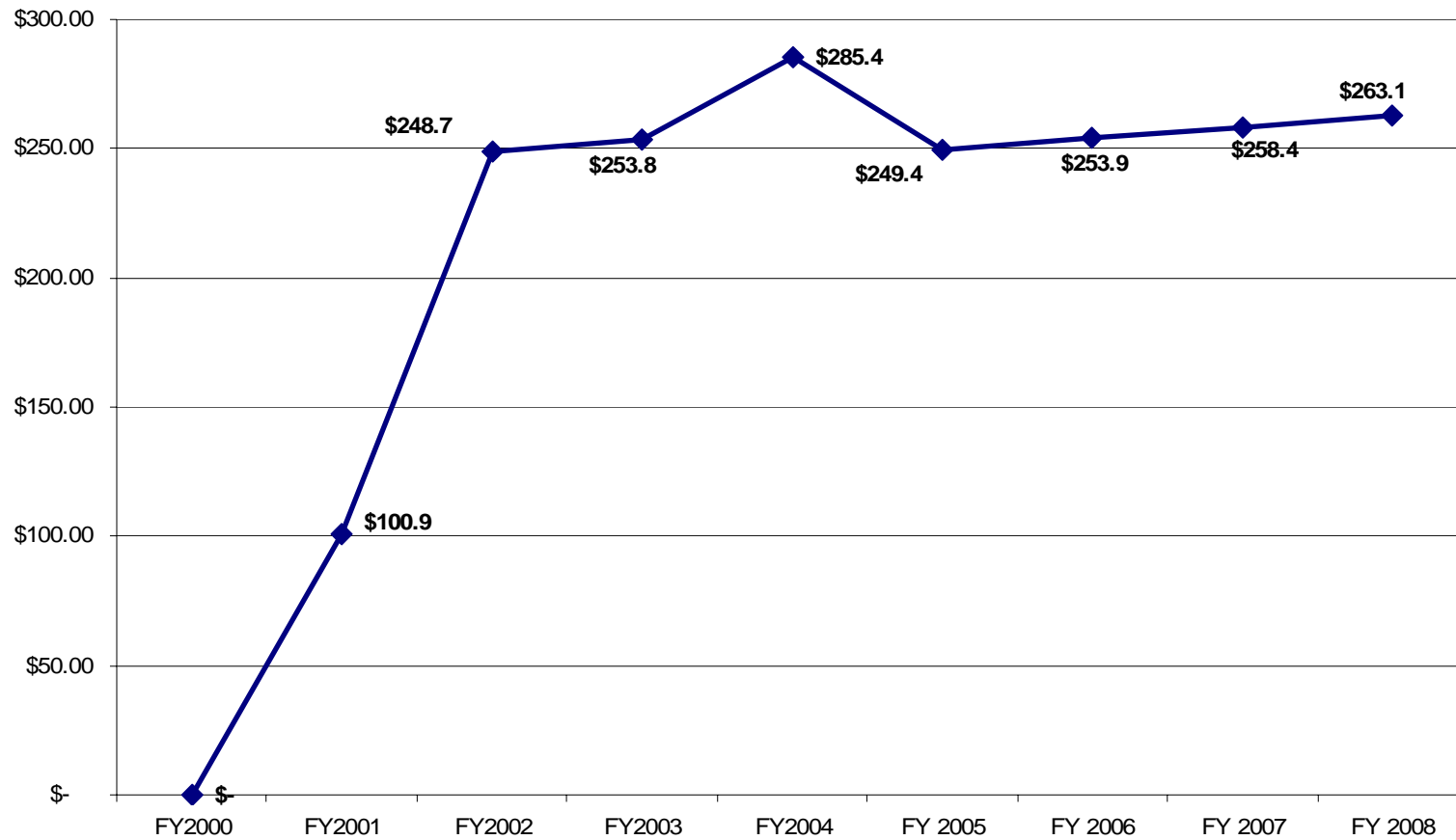


Total as of September 30, 2004: **\$1,215.0 million**



Emergency/Contingency Cash Reserves

(\$ in millions)





Structural Imbalance

- Despite balanced annual budgets and successful management of emergencies, the District has a structural imbalance.
- May 2003 GAO report verified that the District suffers from a long-term structural imbalance, estimated in FY 2000 to be between \$470 million and \$1.2 billion annually.
- District has severe limitations on its tax base:
 - *Inability to tax non-resident earnings (2/3 of income earned in the District can not be taxed by the District),*
 - *Large percentage of tax-exempt property (42% of the District's real property value is tax-exempt), and*
 - *Inability to tax the city's largest employer – the federal government.*
- District has severe limitations on capital borrowing.



Structural Imbalance

(continued)

- The District's tax burdens are among the highest, if not the highest, in the nation.
 - *According to the May 2003 GAO report, the District's tax burden exceeds the state average by up to 33 percent.*
- The District's per capita debt is \$6,800 – the highest in the nation.
 - *Only New York City's per capita debt rivals that of the District. In recent years, the District and New York City have alternated between no. 1 and no. 2 in terms of size of per capita debt.*
- The District's infrastructure, especially that of the schools, is among the worst in the nation. The average age of D.C. schools is about 65 years, and very little has been spent on maintenance in that time.



Financial Plan

(\$ in thousands)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<u>Revenues</u>	<u>Approved</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
1 Total Resources	\$ 4,556,083	\$ 4,659,965	\$ 4,894,322	\$ 5,113,084
<u>Program Expenditures</u>				
2 General Program Expenditures	\$ 4,452,847	\$ 4,551,617	\$ 4,737,363	\$ 4,943,507
3 Grant Disallowances	0	0	0	0
4 Cash Reserve (Budgeted Contingency)	50,000	50,000	50,000	50,000
5 Tobacco Trust Fund (Program Funds)	0	2,000	4,000	6,000
6 Tobacco Trust Fund (Investment Funds)	0	0	0	0
7 Total General Fund Expenditures	<u>\$ 4,502,847</u>	<u>\$ 4,603,617</u>	<u>\$ 4,791,363</u>	<u>\$ 4,999,507</u>
8 Operating Margin, Budget Basis	<u>\$ 53,236</u>	<u>\$ 56,347</u>	<u>\$ 102,960</u>	<u>\$ 113,576</u>
<u>Composition of Fund Balance</u>				
9 Emergency and Contingency Cash Reserves Balance	\$ 249,377	\$ 253,865	\$ 258,435	\$ 263,087
10 Fund Balance not in Emergency & Contingency Reserves	<u>835,345</u>	<u>867,204</u>	<u>945,594</u>	<u>1,034,518</u>
11 Ending General Fund Balance (Line 15)	<u>\$ 1,084,722</u>	<u>\$ 1,121,069</u>	<u>\$ 1,204,029</u>	<u>\$ 1,297,605</u>
12 Cash Reserves as a % of Fund Balance	23.0%	22.6%	21.5%	20.3%



FY 2004 Local Fund Surplus

(\$ in millions)

	Revised Budget	Actual	Actual vs. Revised	Percent Variance
Revenues				
Taxes	\$3,471.2	\$3,665.2	\$194.0	5.6%
All Other Local Fund Source	\$473.6	\$495.4	\$21.8	4.6%
TOTAL	\$3,944.8	\$4,160.6	\$215.8	5.5%
Expenditures				
FY 2004	\$3,825.3	\$3,776.8	\$48.5	1.3%
FY 2005 Advance to Public Education	\$53.2	\$53.2		
Revenues vs. Expenditures	\$66.3	\$330.5		
Budget to GAAP Conversion		(\$100.0)		
	SURPLUS	\$230.5	(5.6% of actual revenues)	



FY 2004 General Fund Surplus

(\$ in millions)

	Revised Budget	Actual	Actual vs. Revised	Percent Variance
Revenues				
Taxes	\$3,471.2	\$3,665.2	\$194.0	5.6%
All Other General Fund Source	\$694.3	\$767.4	\$73.1	10.5%
TOTAL	\$4,165.5	\$4,432.6	\$267.1	6.4%
Expenditures				
FY 2004	\$4,046.0	\$3,935.0	\$111.0	2.7%
FY 2005 Advance to Public Education	\$53.2	\$53.2		
Revenues vs. Expenditures	\$66.3	\$444.4	\$378.1	
Budget to GAAP Conversion		(\$126.8)		
SURPLUS		\$317.6	(7.1% of actual revenues)	